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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 000023

SIPDIS

E.O. 12958: DECL: 01/04/2016

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SUBJECT: ROYG TELLS UNITEL SHOW ME THE MONEY, BY THE END OF THIS MONTH

REF: A. SANAA 2844

[B](#). SANAA 3951

Classified By: Ambassador Thomas C. Krajewski for reasons 1.4 (b) and (d)

1. (C) SUMMARY. On January 4 Ambassador met with Minister of Telecommunications, Abdul Malik al-Moalimi, to determine the current status of Yemen's third GSM tender, particularly the ROYG's next move if tender winner Unitel fails to pay. He also offered assistance with creating an independent telecommunications regulator. The MinTel confirmed the dubious nature of the Chinese connection to the Unitel bid and the fact that Unitel is now seeking partnerships with Palestinian and other regional telecomm providers to secure the outstanding license fee. The Ambassador said that the GSM tender leaves the impression that Yemen does not provide an open and fair process for long-term contract opportunities. MinTel said that right now the ROYG's priority is simply "to get more money". He indicated for the first time that ROYG is interested in U.S. assistance in establishing an independent regulatory mechanism to guard against similar problems in the future. END SUMMARY.

ONE MORE CHANCE FOR UNITEL

2. (C) The Ambassador told Moalimi that in order to attract competent, serious investors, Yemen's tendering processes must be fair, open and transparent. He noted that because Unitel failed to fulfill the payment requirements of the GSM tender it won in November, the process should remain open to other bidders. Ambassador asked if the tender will be re-opened or if the contract will be awarded to the next highest bidder. He pressed MinTel for information on purported Chinese backing of Unitel's bid, and Moalimi confessed that he does not know of any definite financial backing by the Chinese (ref b).

3. (C) The MinTel admitted that Unitel has not paid the bid price of 149 million USD. In apparent defense of Unitel however, he said that the company had paid 500K USD (Note: This payment most likely reflects the forfeiture of the bid security required from all participants in the tender process payable in the event that the applicant is selected but unable to sign the license agreement within 15 days of being invited to do so. End Note) He also said that Unitel deposited another 1.25 million USD toward the contract (Note: Under the tender rules, a performance bond in the form of a local bank guarantee of 1 million USD is required. End Note) The MinTel stated further that the contract was awarded to Unitel because of pressure from the Minister of Finance to accept the largest bid. As for the fact that Unitel failed to deliver the money, he said that he was told by the Minister of Finance to give them "one more chance" to come up with the 149 million USD. He admitted that he does not know if Unitel can meet the payment but he said that he does know that they are seeking partnerships with Palestinian and other regional telecomm companies (ref b). The new deadline for payment is January 31. If Unitel is unable to pay on that date, the MinTel claimed that Omantel's bid will be accepted.

ROYG,S OPEN DOOR

4. (U) Moalimi told the Ambassador that the ROYG has an "open door" and is interested in cooperating with U.S. telecomm companies, especially since Yemen uses U.S.-developed CDMA technology. Ambassador reminded the MinTel that U.S. companies go where they can make a profit and reiterated the U.S. offer of assistance in developing an independent regulatory body to ensure an open and transparent business environment in the telecommunications sector. Moalimi welcomed the assistance, saying that his government is very interested in developing an independent regulator along the lines of the Jordanian or Bahraini models, as he is "too busy" to deal with both the private and government sectors.

5. (U) Moalimi then followed with a tangential request for assistance in developing e-government technology. Ambassador suggested that this may be a possibility, as e-technology is a good step toward eliminating corrupt practices at the local level of government services, such as licensing, while at the

same time enhancing the relationship between the government and the user public. He suggested that the Ministry develop a seminar for in-country Commercial Officers from the United States, UK, Germany, and the Netherlands on the communications sector business and investment opportunities in Yemen.

16. (U) COMMENT: The MinTel,s admission that the GSM tender would be decided based on money alone highlights the need for independent regulatory control in the telecom sector, to encourage growth and competition between legitimate companies. MEPI is exploring a program to provide technical assistance in this field, in collaboration with Booz Allen Hamilton, within the context of the Trade and Investment Framework Agreement. The Minister's willingness to accept such an intervention is welcome news, and post hopes to initiate the program as soon as possible. END COMMENT.
Krajeski